

November 11, 2021

Report of Earning Results (Consolidated)  
for the Third Quarter of the Fiscal Year  
Ending December 31, 2021

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)  
: November 12, 2021

## 1. Financial Highlights for the Nine Months Ended September 30, 2021

### (1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months Ended September 30, 2021	139,180	9.6	34,622	25.7	35,423	28.8	25,670	35.2
Nine Months Ended September 30, 2020	127,029	5.0	27,535	(5.6)	27,504	(10.9)	18,981	(15.0)

(Note) Comprehensive Income: 33,552million yen 114.4 % as of September 30, 2021  
(15,646million yen (13.4)% as of September 30, 2020)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Nine Months Ended September 30, 2021	184.22	184.09
Nine Months Ended September 30, 2020	136.37	136.07

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2021	389,923	205,105	52.0
December 31, 2020	376,701	189,360	49.7

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest  
: 202,794million yen as of September 30, 2021 (187,310million yen as of December 31, 2020)

## 2. Dividend of Surplus

As of	Cash dividends per share				
	The first quarter end	The second quarter end	The third quarter end	Annual end	Total
December 31, 2020	Yen —	Yen 0.0	Yen —	Yen 153.0	Yen 153.0
December 31, 2021	—	0.0	—		
Projection for FY 2021				—	—

(Note) Revision of the projection of dividend for the third quarter of FY 2021 : No

(Note) The dividend projection for FY2021 annual end has not been determined yet.

## 3. Forecasts of consolidated financial results for FY 2021

**(January 1, 2021 through December 31, 2021)**

(Note) For the forecast of FY 2021, please refer to next page.

## 4. Others

- (1) Change in the basis of consolidation and application of equity method : No
- (2) Application of simplified or specified accounting procedures : Yes
- (3) Changes in accounting principles, accounting estimates and restatement
- ① Changes under the revision of Accounting Standards : No
  - ② Changes in Accounting Principles other than ① : No
  - ③ Changes in Accounting Estimates : No
  - ④ Restatements : No

### (4) Number of shares issued (common shares)

- ① Number of shares issued (including treasury stocks):
- 140,736,604 shares as of September 30, 2021
  - 140,629,204 shares as of December 31, 2020
- ② Number of treasury stocks :
- 1,129,090 shares as of September 30, 2021
  - 1,471,155 shares as of December 31, 2020
- ③ Average number of shares outstanding :
- 139,348,017 shares nine months ended September,2021
  - 139,189,981 shares nine months ended September,2021

### \* Statement relating to the status of the quarterly review procedures

This quarterly report is not subject to the quarterly review procedures, which are based on the Financial Instruments and Exchange Law. The review procedures for quarterly consolidated accounts have not finished at the point of the announcement of the quarterly financial results.

### \* Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including forecast results, are based on certain assumptions that were deemed rational as well as information currently available to the Company. However, various factors could cause actual results to differ materially. Please refer to (3) Qualitative Information on the Consolidated Earnings Forecast on page 3 of the attachment for conditions serving as assumptions for forecast results.

Forecasts of consolidated financial results for FY 2021

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021 (January 1, 2021 through December 31, 2021)	183,400	5.4	40,900	3.6	41,200	3.4	34,100	26.7	245.05

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# 1 Qualitative Information and Financial Statements

## (1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	Nine Months Ending Third Quarter of FY2021	Nine Months Ending Third Quarter of FY2020	Rate of Change
Japan	56,936	52,622	8.2%
North America Reg.	26,816	26,302	2.0%
Europe Reg.	25,173	22,157	13.6%
Asia and Pacific Reg.	25,825	22,413	15.2%
Latin America Reg.	4,428	3,532	25.4%
Total	139,180	127,029	9.6%

During this term of fiscal year 2021, from January 1 to September 30, despite the world economy shows recovery in some components, it has been still going through which economic activities are limited caused by concerns running rampant again variant of Covid-19. Under such a situation, deep recession and taking longer for worldwide economic recover have been concerned continuously. Even if it is showing movements of picking up recently, Japanese economy, under going through the promotion of getting vaccinated, has been considered in severe situation caused by Covid-19 continuously.

The worldwide Information Technology industry has growth due to accelerated demands of remote working, education, DX (digital transformation) under the global affected by the Covid-19 pandemic. Refer to the report by 3rd party, it forecasts worldwide IT spending to grow 5.5% into \$4.5 trillion in 2022. According to accommodating increasingly complex hybrid work for employees, then enterprise software is expected to have growth in 11.5% mainly due to infrastructure software.

In the cyber security industry, continuously multitude of cyber terrorism that targets specific national institutions, etc., a spate of identity theft in business client information, and targeted attacks including crypto-assets drain in specific companies, organizations have been still coming across occasionally. In addition, the ransomware which recognized as new threat in targeted attacks, against IoT environment associated with industrial control system operations in smart factory, phishing scams using the global epidemic of Covid-19 infection and the malware files which abuse remote meeting system have infested. Due to worldwide Covid-19 pandemic, it has been required showing more rigorous approach to information management to regardless business or individual into new daily life.

Under such environment, our group business conditions are as follows:

With regards to sales in Japan region, both enterprise and consumer business were going well. Especially consumer business has led this region sales under the background of good demands in remote work and education. In Enterprise business, despite network security performed not well, endpoint security and cloud security were growing. As a result, net sales for this period in Japan region amounted to 56,936 million yen (8.2% increase from the same period in the previous year) increase to.

For North America region, the entire enterprise business sales which has been picking up due to SaaS business in significant growth turned to surplus in this term from January 1 to September 30. Network security seemed to passing time away from slowdown used to be. In addition, cloud security showed big growth. As the result, sales for this period in North America region was 26,816 million yen (2.0% increase from the same period in previous year) increased to.

In Europe region sales, whole enterprise business sales showed growth mainly due to endpoint security, additionally cloud security and network security. In addition, there was a weak yen impact, net sales in this region were 25,173 million yen (13.6% increases from the same period in previous year) increase in double-digit growth rate.

In the Asia Pacific region, enterprise business showed growth with mainly both endpoint and cloud security. Taiwan and Singapore area led this region sales performed well. In addition, there as a depreciation of yen impact. As a result, net sales for this period in

Asia Pacific region amounted to 25,825 million yen (15.2% increase from the same period in the previous year) in double-digit growth rate.

In the Latin America region sales, cloud security showed substantial growth, and additionally network security and endpoint security were also going well in enterprise business. As a result, net sales in this region were 4,428 million yen (25.4% increases from the same period in previous year) to show the highest double-digit growth rate in all region.

As a result, the consolidated net sales for this period (this term of fiscal year 2021, from January 1 to September 30,) marked 139,180 million yen (9.6% increase from the same period in previous year) with increasing in all regions.

After over one year of the Covid-19 pandemic, even if vaccination is being promoted in each country, it has been still very difficult to predict the time to curb. Under such a situation, Trend Micro group has been also faced with restricted sales activities such as face-to-face meetings, etc. in some region. However all our business and service providing has been sustain as usual based on our business continuity.

For the costs, amortization of goodwill was a significantly decrease in. In addition, we had one time collective correction which was related to Software assets at the same period in previous year. We got contribution of such a reactionary reduction this year. On the other hand, it were significant increases in both people costs with huge impact of weak yen, and public cloud service usage due to our SaaS business growth. Thus, cost of sales and operating expenses for this period totaled 104,558 million yen (5.1% increase from the same period in previous year) increase to. As the results, consolidated operating income for this period was 34,622 million yen (25.7% increase from the same period in previous year) increase to.

And the consolidated ordinary income for this period was 35,423 million yen (28.8% increase from the same period in previous year.) This increase was due to gain on sales of marketable securities, etc. The net income attributable to owners of the parent for this period was 25,670 million yen (35.2% increase from the same period in previous year.)

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important annual management indicators for our company. It for this period was 34,606 million yen, an increase of 8,775 million yen (34.0% increase from the same period in previous year.) This increase was due to Pre-GAAP significant growth due to SaaS business growth in excess of increase in both people costs for mainly prior speculative staff up and cost of public cloud service costs from big usage volume.

## **(2) Qualitative Information on the Consolidated Financial Positions**

Cash and bank deposits at the end of this period amounted to 178,843 million yen, an increase of 23,102 million yen from FY2020 annual closing.

In spite of significant decrease in notes and accounts receivable, trade, and investments securities, due to substantial increase in cash and bank deposits, and marketable securities, etc., total assets at the end of this period were 389,923 million yen, 13,222 million yen increase from FY2020 annual closing.

Total liabilities at the end of this period were 184,817 million yen, 2,522 million yen decrease from FY2020 annual closing mainly due to significant decrease in accrued income and other taxes, etc., despite increase in deferred revenue.

Total net assets at the end of this period were 205,105 million yen, 15,744 million yen increase from FY2020 annual closing. This increase is due to significant increasing in both foreign currency translation adjustments and retained earnings, etc.

## **(3) Qualitative Information on the Consolidated Earnings Forecast**

According to the announcement “Trend Micro Announces Revision of Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021” on October 25, 2021, we revised net income attributable to owners of the parent in the consolidated results forecast for the full fiscal year ending December 31, 2021 (announced on February 17, 2021) as follows. For details, please refer to our announcements on October 25, 2021, “Notice of the Extraordinary income related to the sales of affiliate company shares” and “Trend Micro Announces Revision of Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021.”

Business forecast for the Annual of FY2021 (January 1, 2021 – December 31, 2021)

Consolidated net sales	183,400 million yen
Consolidated operating income	40,900 million yen
Consolidated ordinary income	41,200 million yen
Net income attributable to owners of the parent	34,100 million yen

In development of the business forecasts the main assumed exchange rates for the Annual of FY2021 (January 1, 2021 – December 31, 2021) as follows.

1 US \$	105 yen
1 Euro	125 yen

## **2. Others**

### (1) Movement of Significant Subsidiaries

N/A

### (2) Application of Simplified or Special Accounting Procedures

(Calculation of income tax expenses)

Multiply net income before tax for this period (9 months) by effective tax rate, which is rationally calculated based on projected annual profit and its taxes taking into consideration of deferred tax accounting. In addition, deferred tax expense is included in income taxes.

However, if the calculation of tax expenses using the effective tax rate results in a markedly unreasonable outcome, tax expenses are calculated by using the statutory effective tax rate after adding and subtracting important differences that do not fall under temporary differences to and from profit before income taxes.

### 3. 【CONSOLIDATED FINANCIAL STATEMENTS】

#### (1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2020	September 30, 2021
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	155,740	178,843
Notes and Accounts receivable, trade	47,280	38,734
Marketable securities	56,527	62,044
Inventories	3,404	3,546
Others	5,955	6,737
Allowance for bad debt	(260)	(284)
<b>Total current assets</b>	<b>268,648</b>	<b>289,621</b>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
(1) Buildings and structures, net	4,566	4,490
(2) Office furniture & equipment	3,393	3,288
(3) Others	11	19
<b>Total property and equipment</b>	<b>7,971</b>	<b>7,797</b>
<b>Intangibles</b>		
(1) Software	8,741	11,122
(2) Goodwill	4,778	3,173
(3) Others	12,386	11,628
<b>Total intangibles</b>	<b>25,906</b>	<b>25,923</b>
<b>Investments and other non-current assets</b>		
(1) Investment securities	35,922	27,498
(2) Investments in subsidiaries and affiliates	295	446
(3) Deferred tax assets	36,228	36,884
(4) Others	1,728	1,750
<b>Total investments and other non-current assets</b>	<b>74,174</b>	<b>66,580</b>
<b>Total non-current assets</b>	<b>108,052</b>	<b>100,302</b>
<b>Total assets</b>	<b>376,701</b>	<b>389,923</b>

(Million yen)

Account	December 31, 2020	September 30, 2021
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable and Notes payable, trade	917	957
Accounts payable, other	4,964	4,334
Accrued expenses	8,594	9,358
Accrued income and other taxes	6,094	2,080
Allowance for bonuses	3,311	2,688
Allowance for sales returns	355	505
Deferred revenue	92,958	93,104
Others	14,273	11,535
Total current liabilities	131,468	124,564
<b>Non-current liabilities</b>		
Deferred revenue	46,072	49,136
Net defined benefit liability	7,273	7,813
Others	2,525	3,303
Total non-current liabilities	55,871	60,252
Total liabilities	187,340	184,817
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	19,104	19,330
Capital surplus	25,974	26,620
Retained earnings	158,429	162,808
Treasury stock, at cost	(7,785)	(5,975)
Total shareholders' equity	195,722	202,784
<b>Accumulated other comprehensive income</b>		
Net unrealized gain (loss) on debt and equity securities	(146)	(109)
Foreign currency translation adjustments	(7,412)	969
Remeasurements of defined benefit plans	(852)	(849)
Total accumulated other comprehensive income	(8,411)	10
Stock acquisition rights	1,220	1,404
Non-controlling interests	829	905
Total net assets	189,360	205,105
Total liabilities and net assets	376,701	389,923

## (2) 【Consolidated Statements of Income and Consolidated Statements of Comprehensive Income】

## Consolidated Statements of Income

(Million yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net sales	127,029	139,180
Cost of sales	28,930	30,690
Gross profit	98,098	108,489
Operating expenses	70,562	73,867
Operating income	27,535	34,622
Non-operating income		
Outsourcing service income	144	133
Interest income	607	326
Gain on sales of marketable securities	105	1,047
Subsidy income	154	—
Other income	89	38
Total non-operating income	1,102	1,545
Non-operating expenses		
Litigation settlement	—	118
Foreign exchange loss	820	429
Equity in losses of affiliated companies	103	86
Loss on disposal of fixed assets	195	64
Other expenses	13	45
Total non-operating expenses	1,132	744
Ordinary income	27,504	35,423
Extraordinary loss		
Loss on liquidation of subsidiary	—	39
Total extraordinary loss	—	39
Net income before taxes	27,504	35,383
Income taxes	8,951	10,319
Net income	18,552	25,064
Net income(loss) attributable to non-controlling interests	(428)	(606)
Net income attributable to owners of the parent	18,981	25,670

Consolidated Statements of Comprehensive Income

(Million yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net income	18,552	25,064
Other comprehensive income		
Valuation difference on available-for-sale securities	(209)	37
Foreign currency translation adjustment	(2,669)	8,172
Remeasurement of defined benefit plans	136	3
Share of other comprehensive income of associates accounted for using equity method	(164)	274
Total other comprehensive income	(2,906)	8,488
Comprehensive income	15,646	33,552
Comprehensive income attributable to owners of the parent	16,084	34,092
Comprehensive income attributable to non-controlling interests	(438)	(540)

## (3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Cash flows from operating activities:		
Net income before taxes	27,504	35,383
Depreciation and amortization	13,718	13,709
Stock compensations	499	488
Amortization of goodwill	3,915	1,543
Increase (decrease) in allowance for bad debts	41	5
Increase (decrease) in allowance for sales returns	12	132
Increase (decrease) in net defined benefit liability	209	406
Interest income	(607)	(326)
Equity in (earnings)/loss of affiliated companies	103	86
(Gain) loss on disposal of Fixed assets	195	64
(Gain) loss on liquidation of subsidiaries and associates	—	39
(Gain) loss on sale of marketable securities	(105)	(1,047)
(Increase) decrease in notes and accounts receivable	11,202	9,790
(Increase) decrease in inventories	86	83
Increase (decrease) in notes and accounts payable	(244)	(115)
Increase (decrease) in accounts payable, other & accrued expenses	1,243	(368)
Increase (decrease) in deferred revenue	21	(202)
Increase (decrease) in virtual share bonus plan	(3)	(441)
Litigation settlement	—	118
Subsidy income	(154)	—
Others	(2,591)	(2,582)
Subtotal	55,046	56,768
Proceeds from interest and dividend received	780	344
Proceeds from subsidy income	154	—
Payment for income tax	(14,983)	(14,858)
Payment for Litigation settlement	—	(118)
Net cash provided by operating activities	40,997	42,135
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(1,036)	5,322
Payments for purchases of marketable securities and securities investments	(11,833)	(15,207)
Proceeds from sale or redemptions of marketable securities and securities investments	12,825	22,916
Payments for purchases of property and equipment	(1,225)	(1,458)
Payments for purchases of other intangibles	(6,814)	(12,228)
Purchase of investments in non-consolidated subsidiary	(167)	—
Proceeds from sales of shares of subsidiaries and associates	1,005	—
Net cash provided by investing activities	(7,246)	(656)
Cash flows from financing activities:		
Proceeds from issuance of common shares	245	380
Payment for purchase of treasury stock	(4,999)	(0)
Receipt from disposal of treasury stock	783	1,236
Dividends paid	(21,678)	(20,765)
Repayments to non-controlling shareholders	—	(48)
Proceeds from paid-up by non-controlling shareholders	2,574	1,425
Net cash used in financing activities	(23,074)	(17,771)
Effect of exchange rate changes on cash and cash equivalents	(1,966)	6,860
Net increase (decrease) in cash and cash equivalents	8,709	30,569
Cash and cash equivalents at beginning of period	148,127	174,162
Cash and cash equivalents at end of period	156,837	204,732

(4) Footnotes on Consolidated Financial Statements

(Footnote on Going Concern)

N/A

(Notes on Significant Changes in Stockholders' Equity)

N/A

(Additional information)

(Matters concerning consolidated subsidiaries)

We invest in Trend Forward Capital I, L.P. (hereinafter TFI), which operates a venture capital business in the United States as a limited partnership. Business execution powers of TFI were held by Wael Mohamed who was our board until March 2020, while we are only limited partners and have no authority or intention to participate in the management of TFI.

However, we have contributed more than half of the total amount invested in TFI and have not been able to prove that Wael is not a close member in accordance with “the Practical Handling of the Application of Control and Influence Standards to Investment Partnerships” (Practical Handling Report No. 20). Therefore, we have included TFI in our consolidation scope in accordance with “the Practical Handling Report No.20” and” the Accounting Standards for Consolidated Financial Statements “(ASBJ Statement No. 22).

The ratio of voting rights to Cysiv Inc. (hereinafter Cysiv) is 38% for us and our subsidiaries (excluding TFI), but the ratio of voting rights including TFI exceeds 50%, so Cysiv is also included in the scope of consolidation.

As stated above, we and our subsidiaries (excluding TFI) do not own the majority of the voting rights of Cysiv, and Cysiv may make management decisions that are different from our intentions.

(Correction of errors)

Software in R&D and related deferred tax assets had been overstated for past years due to the computation error.

Errors for past years and previous fiscal year are not significant in the impact on financial position and operating results.

Accordingly, the errors were corrected in previous third quarter financial statements.

As a result, gross profit, operating income, and ordinary income decreased by 3,522 million yen and net income attributable to owners of parent decreased by 4,078 million yen for the third quarter of the previous consolidated cumulative period. There is no impact on cash flow statements for the errors.

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2020 to September 30, 2020)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*)3	Amt in Con P&L (*)4
Sales								
(1) Net sales to external customers	52,622	26,302	22,157	22,413	3,532	127,029	—	127,029
(2) Intercompany sales	5	6,505	3,144	18,067	12	27,734	(27,734)	—
Total	52,628	32,807	25,302	40,480	3,544	154,764	(27,734)	127,029
Segment income	14,814	3,308	5,100	3,895	549	27,667	(131)	27,535

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, The Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

Latin America Brazil, Mexico

3 Consolidation Adjustment in segment income (131)million yen comes from the elimination between segments transaction.

4 Total amount of segment income is adjusted to operating income in consolidated statement of income.

For the current fiscal year (from January 1, 2021 to September 30, 2021)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*)3	Amt in Con P&L (*)4
Sales								
(1) Net sales to external customers	56,936	26,816	25,173	25,825	4,428	139,180	—	139,180
(2) Intercompany sales	19	6,886	1,763	25,692	13	34,374	(34,374)	—
Total	56,956	33,702	26,936	51,518	4,441	173,555	(34,374)	139,180
Segment income	17,725	5,106	5,777	5,727	664	35,000	(377)	34,622

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, The Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

Latin America Brazil, Mexico

3 Consolidation Adjustment in segment income (377) million yen comes from the elimination between segments transaction.

4 Total amount of segment income is adjusted to operating income in consolidated statement of income.

(Subsequent Events)

(Transfer of AsiaInfo Security Limited's shares)

On October 8, 2019, Trend Micro has reached a share transfer agreement with Great Media Technology Limited to transfer all shares of Asia Info Security Limited, which was an equity-method affiliate. Due to the completion of the receipt of the final payment on October 25, 2021, we will book a gain on sales of affiliate company shares of approximately 7.9 billion yen as extraordinary income in the fourth quarter of the fiscal year 2021.